

MEMORANDUM

To: Senate Ways and Means Committee

From: Alan D. Conroy, Executive Director

Date: January 22, 2019

Subject: Proponent testimony for SB 9

Senate Bill 9, as introduced, would transfer \$115 million from the State General Fund to the KPERS Trust Fund in FY 2019. KPERS, in its fiduciary capacity, is supportive of efforts to improve the funding and reduce the unfunded actuarial liabilities of the System. The Board of Trustees does not advocate for any particular policy choices of the Governor or Legislature, but more generally supports policies that improve KPERS' funding and sustainability.

Actuarial Impact

KPERS consulting actuary completed a cost study on the projected impact of an additional \$115 million contribution for the KPERS-School group. The payment was assumed to be received in June, 2019 and first reflected in the 12/31/2019 actuarial valuation.

Because of the statutory time lag, the 12/31/2019 actuarial valuation establishes the employer contribution rates for FY 2023. The addition of the \$115 million is projected to reduce actuarial required contribution (ARC) rate by about 0.23% for FY 2023 – FY 2035.

The total projected net contribution savings over 30 years totals \$186.1 million (\$301.1 million in future savings minus \$115 million in additional FY 2019 contributions).

The additional contributions are projected to improve the funded ratio of the State/School group by 0.6% in the 12/31/2019 valuation, from 68.7% to 69.3%.

I would be pleased to respond to any questions the Committee has for me.

